



# Corporate Renewable PPAs

THE COLLABORATIVE MODEL

[schneider-electric.com/ess](https://schneider-electric.com/ess)

**Schneider**  
Electric

**Baker**  
**McKenzie.**

# Table of Contents

- Introduction .....3
- Choosing members of your buyer group .....3
- Governance structures .....4
- Contracting structures .....4
- Key considerations .....5
- The Role of the Advisor in PPA negotiation .....6
  - Education & Internal Approvals .....6
  - Project Identification & Evaluation .....6
- About Baker McKenzie .....7
- About Schneider Electric Energy & Sustainability Services .....7

This guide is for informational purposes only and not for the purpose of providing legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a lawyer if you want legal advice.

# Introduction

A number of Australian corporate renewable power purchase agreement (PPA) deals have been announced over the last few years, most of which have been executed by large organisations with above average load profiles. The volatility of energy prices in Australia, coupled with the favourable economics of renewables, have led buyers with smaller loads (in the range of 25GWhrs and above per annum) to show interest in executing corporate PPAs. These buyers have traditionally faced the challenge of attracting competitive pricing and interest from renewable energy project developers in view of their load profiles.

One approach to overcome this challenge that is gaining interest among smaller renewable energy buyers is to collaborate with other corporates. As the technologies improve and the market matures, collaborative renewables solutions allow a greater number of buyers to participate as a group in this market. Collaborative transactions have been successfully used in many markets, including the U.S., Mexico and the Netherlands, and there is strong potential for further development of these solutions in Australia. By aggregating their load, buying groups can use scale to secure a competitive price for electricity from renewable energy projects. Being a member of a buying group also allows corporates to combine different skill sets needed to execute a corporate PPA deal and leverage the power of shared decision-making. However, collaborative models introduce complexity and nuance that must be considered in tandem with the benefits.

In this guide, Schneider Electric and Baker McKenzie set out best practices relevant to structuring and executing a collaborative corporate PPA.

## Choosing members of your buyer group

Choosing a suitable buying group is a critical first step to embarking on a collaborative corporate PPA process. When forming a buyer group, it is preferable to find corporates who are largely aligned with your organisation in terms of creditworthiness, appetite for risk, objectives for entering a renewable energy PPA and preferred tenure of the deal. Each of these considerations will impact selection of a PPA structure as well as negotiation of its terms.





## Governance structures

Establishing and following a governance process for a corporate PPA buying group increases the ability to execute a deal agreeable to all parties. The form of governance framework required is influenced by factors such as the number of organisations within a buying group (typically 3 to 5), whether there are existing processes for joint decision-making that the group can utilise and the internal governance requirements for each organisation.

The structure should stipulate a process to facilitate communication between the core project team and the decision makers within the participating corporates. This will ensure that the project team has buy-in from the decision makers throughout the process, as well as a pre-agreed conflict resolution procedure should any disagreement arise. For example, the participants of the Melbourne Renewable Energy Buyers Project (MREP) developed a participant agreement that outlined the framework for decision-making, cooperation in the planning, development and delivery of the project and protocols for interacting with the media and speaking on behalf of the project.

## Contracting structures

Each member of a buying group will typically enter an individual corporate PPA with the renewable energy project or retailer (depending on the PPA structure chosen) on identical or near-identical terms.

A corporate who has small load can also choose an alternative structure, often referred to as the anchor or joint tenancy model, where they select a project that already has an offtaker (either another corporate or a retailer) who is contracting a majority of the project's output. In this arrangement, the corporate is the sole purchaser of the smaller percentage of the project's output and is responsible for executing its individual PPA (which could be either a sleeved or virtual structure).

Anchor or joint tenancy deals still require the buyer to demonstrate creditworthiness and risk tolerance on an individual basis rather than a portfolio basis, just as a larger-scale PPA will require. The needs of the project developer will dictate if this offering is considered favourably by the developer. The relatively smaller size of the offtake could be desirable for a developer looking to find offtake for a smaller percentage of a renewable project. If most of the project is financed by the majority offtaker, a smaller buyer may be able to negotiate a PPA with lower credit or for a shorter contract length. However, if the project is still looking for offtake to achieve project finance, developers will be unlikely to offer flexible terms to small offtakers.

## Key considerations

As set out in Baker McKenzie and WWF's [Green Hedging Guide](#), key considerations for a collaborative corporate PPA include:

- **Cross-default:** Default risk of one off taker can trigger a default of the aggregated PPA. Whether or not this is a problem will depend on several factors, including the size of the collaborative pool, the debt financiers' view and the corporate PPA model that is used. Corporates may be able to negotiate the liability arising under the PPA on a several basis, where the portfolio of corporates has an appealing credit rating;
- **Project financing requirements:** This also includes security requirements such as the need to have a tripartite agreement with each buyer. This could be managed by a nominated agent on behalf of the group of buyers to enter into a single PPA and tripartite agreement;
- **Anti-competitive behaviour:** The *Consumer and Competition Act 2010* (Cth), which prohibits price fixing and market sharing by competitors. Depending on the specifics of the buyers' group, there is potential that the purchasing group could breach such provisions. The Australian Consumer and Competition Commission (ACCC) can authorise businesses to engage in arrangements which would otherwise be in contravention of the Act where it is satisfied that the public benefit outweighs the public detriment. MREP, South Australian Chamber of Mines and Energy (SACOME) led buyers group and Eastern Energy Buyers Group have each obtained authorisation from the ACCC for the purposes of establishing a joint purchasing group, conducting a joint tender and to jointly negotiate the terms of the PPA. Such authorisations can take up to six months to obtain, so it is important to identify whether this is required at the outset. Forming a joint venture is an alternative way of avoiding cartel conduct prohibitions; and
- **Industry knowledge:** Engaging a competent advisor with experience in the geographical market, structure type and contract terms, is integral in achieving a successful outcome.



## The Role of the Advisor in PPA negotiation

Executing a successful renewable PPA is a process that involves education, internal approvals, project selection and evaluation. Corporates recognise the value of engaging an experienced advisor to fast-track successful clean energy procurement. Schneider Electric has advised on over 4400 MWhrs of PPAs. Baker McKenzie has an established track record of advising corporates and developers alike on structuring and negotiating PPAs, including some PPAs with the longest tenors in the market.

Benefits of having an advisor involved in a collaborative buying process include:

### EDUCATION & INTERNAL APPROVALS

Most corporate buyers pursuing PPAs for the first time do not have the full understanding of the industry or the time to build the comprehensive knowledge required for successful execution. Their lack of education alone can present as a significant roadblock, especially in relation to pre-empting obstacles or delays.

An early, and often the most arduous, step in the PPA process is to engage all departments (including sustainability, energy, accounting, treasury, finance and the C-suite) in order to align the understanding behind the mechanics of a PPA, its value optimisation and the associated risks for the organisation. The biggest question an internal champion is likely to face is *"This isn't our core business: how do we understand the risks involved?"*

An experienced renewable energy advisor can expedite the internal approval process by providing key insights and modelling all elements of risks for smooth decision-making. Achieving the desired outcome in a PPA requires answering technical questions beyond the economic risks.

### PROJECT IDENTIFICATION & EVALUATION

Identifying and evaluating the right projects is equally as important as education and approvals. PPA buyers often have a list of developers offering them various options but are missing a full view of the industry landscape in order to distil the offerings and find the best tailored option to match its unique set of requirements.

To understand the best selection of projects available, Schneider Electric and Baker McKenzie recommend using a request for proposal (RFP) process. A formal RFP ensures that renewable energy developers compete against each other to provide the strongest offers. The right renewable energy advisor will draw on their broad market perspective and standing relationships with a wide variety of developers to run an RFP efficiently and effectively.

## About Baker McKenzie

**Baker McKenzie** is at the forefront of advising on the successful development of renewable energy projects in Australia, and we have helped our clients bank over 1.5 GW of renewable energy projects in the last 2 years. We act for developers, lenders, investors, technology providers and other industry players on significant and high-profile renewable energy transactions both here and across the globe.

Baker McKenzie is also a market leader in Corporate PPAs globally and in Australia. Our team has worked on corporate PPAs with an aggregate capacity in excess of 500 MW, in addition to many hundreds of MWs of renewable energy developments.

Drawing on our extensive renewable energy project development and Corporate PPA experience, we guide our corporate clients through the complex structuring, negotiation and execution associated with such transactions. Having worked on all sides of Corporate PPA transactions, we understand the drivers of, and dynamics among, generators, offtakers and intermediaries.

[Contact us.](#)

[bakermckenzie.com/en](http://bakermckenzie.com/en)

## About Schneider Electric Energy & Sustainability Services

**Schneider Electric's Energy & Sustainability Services** helps thousands of companies in more than 100 countries buy energy smarter, use energy more efficiently, and drive sustainable growth.

ESS' Renewables & Cleantech team is a pioneering global supplier of renewable energy and clean technology products and services—including the New Energy Opportunities (NEO) Network™—for the C&I sector. For more than 15 years, the team has been providing unparalleled experience and expertise on strategic renewable energy procurement. The ESS team has advised on more than 4 GW of new wind and solar capacity and is the recognised global leader in cleantech consulting, serving more clients than any other procurement advisor, worldwide.

[Contact us](#) to learn more about how strategic renewable PPAs can accelerate your energy goals.

[Schneider-electric.com/ess](http://Schneider-electric.com/ess)



# Schneider Electric Energy & Sustainability Services

[schneider-electric.com/ess](https://schneider-electric.com/ess)